

State Board of Equalization
OPERATIONS MEMO
For Public Release

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**SUBJECT: PROCEDURES FOR PROCESSING THE BOE-401-DS AND THE
BOE-401-DS1 INDIVIDUAL USE TAX RETURNS**

I. GENERAL

Publication 79-B, "*California Individual Use Tax*," contains an Individual Use Tax Return (IUTR), BOE-401-DS, for reporting use tax liability on purchases made by California residents from out-of-state vendors not holding a California seller's permit or Certificate of Registration – Use Tax. As of December 2002, a special IUTR (BOE-401-DS1) will be inserted in some of the Franchise Tax Board's 2002 Income Tax Instruction Booklets. Prior to the implementation of the IUTR, taxpayers would send a brief letter of explanation along with payment of the use tax they owed to the Board of Equalization (Board). These new forms were developed to make the process of reporting use tax more convenient for the taxpayer. Publication 79-B is available from the Internet and Board offices. This operations memo provides procedures for processing these returns.

Taxpayers who do not use the IUTR and instead submit a document with an amount owed on it will be treated in the same manner as if they had filed using an IUTR.

II. HEADQUARTERS RESPONSIBILITY – IUTRs RECEIVED IN HQ

A. Cashier Section

Headquarters Cashier Section will issue an arbitrary number to all IUTRs. IUTRs received using a Form BOE-401-DS1 will be assigned an arbitrary account number with the prefix 62 to distinguish them from the BOE-401-DS returns. BOE-401-DS1 forms will be batched separately using a batch code of S8F. The monthly period and effective date of the return should be entered into IRIS as filed timely. All returns should then go through existing procedures for processing returns.

B. Return Analysis Section

All IUTRs will be considered timely regardless of when they are received. When a partial or no remittance IUTR is filed, it will be billed the same as any other partial or no remittance return. A late return penalty will not be assessed; however, a late payment penalty and interest on the unpaid balance will be assessed.

III. DISTRICT OFFICES RESPONSIBILITY – IUTRs RECEIVED BY DISTRICTS

District office staff will issue an arbitrary account number for the IUTR. A regular seller's permit number should not be assigned. If the district office receives a BOE-401-DS1, staff will issue an arbitrary account number with the prefix 62. Please note that this type of IUTRs will have a pre-printed batch code of S8F for easy identification. The account number should be written in red at the top of the IUTR. A One-Time (OTM) financial obligation must be created in IRIS so Headquarters Cashier Section can process the payment and return. District staff should refer to Compliance Help Resource Desk (CHRD) Bulletins #44 and #28 for questions regarding the processes and procedures related to creating the financial obligation. The monthly period and effective date of the return should be entered into IRIS as filed timely.

If the IUTR has an edit message in IRIS for an invalid period or no financial obligation, staff should change the late return to reflect it as filed timely. IUTRs should be forwarded to the Headquarter's Cashier Section with the daily transmittal report.

IV. OBSOLESCENCE

This operations memo will become obsolete when the information is incorporated into the Compliance Policy and Procedures Manual chapters 2, 5, and 8.

Ramon J. Hirsig
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